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DIA and DOS review(s) completed.

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GENERAL

1. French "concern" over Soviet troop concentrations--Caffery reports that, [redacted] the French are "somewhat concerned" by reports of large Soviet troop concentrations in the Soviet zone of Germany, particularly near the western line of demarcation. The French consider that the Soviets may desire (a) to impress the German people with their strength, and (b) to engage in a "little war of nerves."
2. USSR and Hungary reported negotiating military alliance--The US Delegate ACC Budapest reports that, [redacted] the Soviets and Hungarians are secretly negotiating a military alliance in Budapest.
3. Soviet policy in Asia--Ambassador Smith in Moscow points out that the Soviets appear to be cultivating "correct" relations with their Asiatic neighbors, in contrast to their "truculence" in Europe. Smith suggests that the Soviets, calculating that time and "the forces of decay and regeneration" are on their side in Asia, are employing indirect and "more dangerous" methods such as (a) ingratiating themselves with the Asiatic masses, (b) contrasting the USSR to the "imperialist" US and UK, and (c) manipulating native fifth columns.

25X1X6

25X1

EUROPE-AFRICA

4. VENEZIA GIULIA: SACMED requests increase of security troops--The Supreme Allied Commander, Mediterranean Theater, has (a) requested CCS to authorize the reinforcement of Allied troops in Venezia Giulia by one regimental combat team from USFET, and (b) reiterated his earlier request for authority to increase the AMG police force in Zone A from 3,950 to 6,000 [redacted]. He points out that (a) the possibility of a Yugoslav coup "particularly against Trieste" continues, and (b) demonstrations by the local population, both Yugoslav and Italian, are increasingly frequent and aggressive.

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Yugoslav military action discounted--Charge Shantz in Belgrade believes that the emphasis of Marshal Tito's recent visit to Moscow was on economic matters. Shantz (a) reports a subsequent

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NO CHANGE in Class. ☐

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decrease in the violence of Yugoslav attacks against the US and UK over Trieste; (b) believes that Moscow did not authorize military action in Venezia Giulia; and (c) quotes the Yugoslav Assistant Foreign Minister as saying to the British Charge: "Why don't you give us Trieste now? We will get it within ten years anyway."

US forbids removal of machinery from Pola--The State Department has informed the US Political Advisor at Caserta that the US (a) considers it "unwise at this time" to permit Italians to remove industrial property from Pola to territory they expect will be awarded to Italy [redacted] (b) hopes to obtain treaty provisions permitting the transfer of individuals after the boundary decision is made; and (c) believes that individuals desiring to move "will undoubtedly have an opportunity" to do so (and "perhaps" move their property) before a change in sovereignty is effected.

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5. AUSTRIA: Diversion of UNRRA grain to Italy--General Clark reports that UNRRA has diverted to Italy 17,000 tons of grain previously scheduled for Austrian consumption in July. Clark has protested to the War Department against the diversion, pointing out (a) the present deterioration in general health standards in Austria, and (b) the great possibility of labor "difficulties" with resulting Communist attempts to create "dissension in labor ranks." Clark contends, on the basis of "personal observations," that Austria's food situation is worse than Italy's.
6. USSR: "Average" grain harvest expected--Smith reports that, barring adverse weather conditions, the 1946 Soviet grain harvest is expected to produce "average or better than average grain yields" from an acreage about 2.4 percent greater than that seeded in 1945. He adds that rumors of a drought in the Ukraine are exaggerated [redacted]
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7. DENMARK: Soviet trade offer--US Minister Marvel believes that in the current trade negotiations [redacted] the Soviets have offered to buy all Danish agricultural and industrial surpluses (particularly ships) for the next six years. In return, the USSR apparently proposes to help Denmark obtain high-grade bituminous coal available in Poland. Marvel (a) notes that the Danes may be circulating this proposal to force the British to offer higher prices for
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25X6A Danish agricultural products, and (b) feels that the Danes are unwilling "to put all their eggs in one basket."

Soviet overtures to Shah--Allen understands that the Shah has permitted his twin sister to accept a Soviet invitation to visit the USSR next week. Allen comments that while the invitation might be interpreted as a softening of Soviet policy, it appears rather as "a subsidiary and diversionary attack," including an effort to discredit Ala (the Shah's closest advisor) for his "accusations of evil Russian intentions."

FAR EAST

10. CHINA: View of world situation--According to the US Military Attache, London, Lt. General Kwei Yung-Chin, the Chinese Representative in Berlin, believes that the question of whether "one state or the rest of the world will dominate" will be settled in Central Europe. General Kwei also believes that (a) after two years the Soviets will openly support the Chinese Communists and (b) before that time the Chinese Central Government can and must destroy the power of the Chinese Communists.
11. INDOCHINA: Agenda for 25 June conference at Paris--The French High Commissioner, Admiral D'Argenlieu, has informed the State Department representative in Saigon that the chief questions to be

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settled at the French-Vietnam Conference scheduled to open 25 June in Paris are (a) the status of the Indochina "federation" and (b) the future of Cochln-China. D'Argenlieu fears that Ho Chin Minh's departure for the conference may lead to political strife in Vietnam, as Ho is apparently the only person able to hold together the various political factions.

THE AMERICAS

12. **BOLIVIA: US protests violations of immunity--**The State Department has instructed Charge Adam to protest formally to the Minister for Foreign Affairs the unauthorized entrance of Bolivian National Police into the US Embassy Chancery during the recent unsuccessful revolt against the Bolivian Government.

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